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A HISTORY OF AGRICULTURAL COOPERATION IN PENNSYLVANIA

1866 TO 1930 INCLUSIVE

Frank S. Manning

INTRODUCTION

Agricultural cooperation in Pennsylvania has become of such economic and social significance and has persisted over such a long period that it has established a permanent place in the economic system of the State. At the close of the year 1934 there were 124 active incorporated cooperative associations in the State, having a total investment of over 6 million dollars. During that year they marketed over 27 million dollars' worth of farm products and cooperatively purchased almost 8 million dollars' worth of farm supplies. Nearly 60,000 Pennsylvania farmers were members of cooperative associations at the end of that year.

Because of this, it has been thought advisable to record the history of this movement in so far as records are now available. Much of the early record is incomplete, but it is felt this weakness of the early record should not prohibit a compilation of such data as are now available.

EARLY HISTORY - FIRST PERIOD

1866-1919

The first record we have of agricultural cooperatives in Pennsylvania was made in 1866, at which time there were five cooperative cheese factories operating in Susquehanna County. They were recorded as members

of the American Dairymen's Association in its first annual report which was issued that year.

The Springville Factory appears to have been the first one operated. This factory used the milk from 300 cows.

The following quotation is taken from the annual report of William Blanding, Manager of the Springville Factory, as presented to the annual meeting of the American Dairymen's Association in 1866;

"This was the first cheese factory erected in Northern Pennsylvania, built by Honorable Asa Packer in the spring of 1865, this being the second season of operations. Pounds of milk received, 493,461; pounds of green cheese made, 58,662; size of cheese, 20 inches; weight about 75 pounds; pounds of milk to one pound of green cheese, 8.42. The cheese from this factory has all been sold (with the exception of some 14,000 pounds now on hand) for the Pennsylvania Coal Valley trade, at an average of 18 cents per pound. The price received for making and furnishing, excepting boxes, was two cents per pound. We use the O'Neill vats, with heaters and tanks complete.

"Use made of the whey: the whey is fed to hogs kept at the factory, where we have a good dry yard and commodious house for feeding. The hogs are appraised by the committee when put in at the factory, each patron receiving credit for the number of pounds furnished at the appraised value. If not a sufficient number are furnished by the patrons to consume all the whey, the committee makes up the deficiency by purchase. In the fall, the pork is sold, when each patron receives his capital furnished, and also his proportion of the profits, pro rata to the pounds of milk he delivered to the factory. Our experience shows that hogs will in five months gain in weight 50 per cent, and the value of the whey this season is 75 cents per 1,000 pounds of milk."

The five cheese factories in Pennsylvania recorded in the first annual report published by the American Dairymen's Association in 1866 were all located in Susquehanna County and were as follows:

The Springville Factory, located at Springville, which used the milk from 300 cows;

The Bridgewater Factory, located at Bridgewater, which used the

milk from 200 cows;

The Gage Factory, located at Gage, which used the milk from 89 cows;

The New Milford Factory, located at New Milford, which used the milk from 200 cows; and

The Spring Hill Factory, located at Spring Hill, which used the milk from 150 cows.

A need for a market outlet for spring and summer surplus milk produced had brought the above and similar factories into existence. In 1864 the cheese factories in New York State had organized the New York Cheese Manufacturers' Association, which was the parent of the American Dairymen's Association. The president of this first organization in his annual report in 1864 described the manner in which these cheese factories were organised and operated. The following is quoted from that report:

"Within a brief period several corporations have been formed for making cheese under the general manufacturing law of New York. The stock is divided into small shares, and generally distributed as much as may be among the dairymen of the neighborhood, with a view of creating a general desire for the success of the institution, and enlisting efforts to secure patronage. The concerns of the association are managed by a board of trustees or directors, the stockholders having no direct voice in the management, beyond the annual election of the trustees. The trustees appoint one of their number president, elect a secretary and treasurer, and form committees to look after the different interests of the company. A superintendent is employed to direct the manufacturing and curing operations.

"The actual cost of conducting the company's business is charged to the patrons in a general account, with a percentage on the amount of capital stock sufficient to pay interest on the investment and cover the wear and tear of fixtures.

"In this account credits are given for all monies received for cheese, whey, or other produce, and the balance apportioned among the dairymen according to the amount of milk furnished by each.

"Originally the milk received at the pioneer factory was wholly purchased by the manufacturers, it being estimated and paid for by the amount of curd produced when pressed.

"The plan failed to give entire satisfaction to the dairymen, because of differences of opinion upon its prospective value in the fall market, but furnished sufficient data for determining every item of expense attending the manufacture and for deducting the cardinal features of the commission method."

Creameries

Following the organization of cooperative cheese factories, the next development in cooperative effort by Pennsylvania dairymen, in their search for a year round market for their milk, appears to have been the organization of cooperative creameries for the manufacture of butter.

Many of these cooperative creameries were still functioning at the end of the year 1935. Many organized during this period ceased to function as fluid milk markets became available to their members. Unfortunately, no record was ever compiled of them and much of the history of the development in cooperative milk marketing has been lost.

Our record includes the names of 20 cooperative creameries and two cheese factories, organized between 1879 and 1919 inclusive, which were still operating at the end of 1935. Ten of these were organized prior to 1900. One of the early cooperative creameries, the Spinkertown Dairymen's Association, at the close of 1935 had a continuous existence of over 57 years (Table 1).

Fluid Milk

The forerunners of the Inter-State Milk Producers' Association, of the Dairymen's Cooperative Sales Association, and of the Dairymen's League Cooperative Association in Philadelphia, Pittsburgh, and New York, respectively, were organized and reorganized several times during this

TABLE 1 - A Partial List of Agricultural Cooperatives Organized Between 1879 and 1919 in Which Pennsylvania Farmers Were Members

Name	Location	Kind	Year organized	Comments*
Farmers' Creamery Association	Montgomery County	Creamery	1879	Ceased operating in 1921.
Spinnersstown Dairymen's Assn.	Bucks County	Creamery	1879	
Dublin Dairymen's Association	Bucks County	Creamery	1880	
Gold Springs Dairymen's Assn.	Bucks County	Creamery	1880	
Plumsteadville Dairymen's Assn.	Bucks County	Creamery	1880	
Greentree Creamery Association	Montgomery County	Creamery	1882	
Union Dairymen's Association	Bucks County	Creamery	1883	
Milk Association of Pennsylvania, Schuylkill Valley Railroad and its Tributaries	Philadelphia	(Sales agent, (bargaining, (manufacturing	1883 to 1887	(Federated in 1887 to become (the Dairymen's Protective (Association of Pennsylvania (and New Jersey. (Forerunner of the I.M.P.A.)
North Penn Dairymen's Protective Association				
Pennsylvania Milk Producers' Association				
United Milk Producers' Assn.	Susquehanna County	Creamery	1887	Members offered fluid milk outlet.
Dairymen's Protective Association of Pennsylvania and New Jersey	Montgomery County	Creamery	1887	
East Rush Creamery Association	Susquehanna County	Creamery	1888	Members offered fluid milk outlet.
Sassamansville Creamery Company	Pittsburgh	Bargaining	1889	Forerunner of D.C.S.A.
Rush Cooperative Creamery	New York City	Bargaining	1889	Forerunner of D.L.C.A.
Milk Producers' Union	Montgomery County	Creamery	1889	
Five States Milk Producers' Union	Susquehanna County	Creamery	1891	
Nimic Dairymen's Association	Susquehanna County	General store	1892	
Laverville Center Coop. Creamery	Lawrence County	Creamery	1892	
Alliance Company	Pittsburgh	Bargaining	1894	Forerunner of D.C.S.A.
Goldendale Creamery Company	Philadelphia	Bargaining	1896	Forerunner of I.M.P.A.
Milk Producers' Association of Eastern Ohio and Western Pa.	Clarion County	Creamery	1897	
Philadelphia Milk Shippers' Union	New York City	Marketing	1898	
Church Cooperative Creamery Co.	Bradford County	Creamery	1901	
Five States Milk Producers' Assn.	Philadelphia	Bargaining	1901	Forerunner of I.M.P.A.
Franklindale Creamery Company	Potter County	Cheese mfg.	1901	
Philadelphia Milk Shippers' Assn.	Lancaster County	Farm supplies	1906	
Shinglehouse Cheese Factory Assn.	York County	Farm supplies	1906	
Lancaster County Farmers' Assn.	New York City	Bargaining	1907-10	Forerunner of D.L.C.A.
Farmers' Producers and Consumers Cooperative Association	Philadelphia	Bargaining	1910	
Dairymen's League	Bucks County	Creamery	1911	
Inter-State Milk Producers' Assn.	Bucks County	Creamery	1912	
Gardenville Dairymen's Assn.	Bucks County	Creamery	1912	
Tinicum Dairymen's Association	Bucks County	Creamery	1913	
Bedminster Dairymen's Association	Bucks County	Creamery	1913	
Deep Run Dairymen's Association	Bucks County	Creamery	1913	
Ottsville Dairymen's Association	Bucks County	Creamery	1913	
East Smithfield Dairy Co.	Bradford County	Creamery	1913	
Curley Hill Dairymen's Assn.	Bucks County	Creamery	1913	
Dairymen's Association of Bath	Northampton County	Creamery	1914	
Hilflin Creamery Co.	Juniata County	Creamery	1914	
Farmers' Cooperative Co. of Nysco	Bradford County	Farm supplies	1915	
Hillport Cheese Factory Assn.	Potter County	Cheese mfg.	1916	
Swartley and Co.	Bucks County	Store and farm supplies	1916	Reorganized as Chalfont Grange Cooperative Assn. in 1934.
Kreutz Creek Valley Coop. Assn.	York County	Farm supplies	1916	
Northeastern Ohio Producers' Assn.	Pittsburgh	Bargaining	1916	Forerunner of D.C.S.A.
Tri-State Milk Producers' Assn.	Pittsburgh	Bargaining	1916	Forerunner of D.C.S.A.
Kinc Creamery Co.	Clarion County	Creamery	1917	
Crove City Creamery Co.	Mercer County	Creamery	1917	
Greenville Dairy Co.	Mercer County	Marketing and mfg.	1918	
Union City Cooperative Assn.	Erie County	Farm supplies	1918	
Minboro Cooperative Association	Erie County	Farm supplies	1919	
Lancaster County Poultry Producers' Coop. Assn.	Lancaster County	Poultry marketing	1919	
Kane Dairy Cooperative Assn.	McKean County	Marketing	1919	
Farmers' Cooperative Dairy Assn.	Payette County	Marketing	1919	
Dairymen's Association of Beaver	Beaver County	Marketing	1919	

*I.M.P.A. - Inter-State Milk Producers' Association.

D.C.S.A. - Dairymen's Cooperative Sales Association.

D.L.C.A. - Dairymen's League Cooperative Association.

early period during which the cooperative marketing of milk for fluid uses had its beginning.

Buying Associations

Cooperative buying by Pennsylvania farmers had its birth during this early period in the Grange, some locals of which continue to do cooperative purchasing to this day. The first cooperative buying association organized as such, and of which we have a record, was the Alliance Company, organized in 1892 at Montrose, in Susquehanna County. This association has a present membership of about 140 and at the close of 1935 was still functioning.

Acts for Incorporating Cooperative Associations

Agricultural cooperation was first given legal recognition in Pennsylvania in 1887, during which year the legislature passed an act providing for the incorporation and regulation of agricultural cooperative associations. The requirements of the act were such that cooperatives found it difficult to operate within its limitations. The act was amended several times during succeeding years, but the cooperatives still continued to be handicapped in trying to operate within their charters. Finally, in 1919, a new act providing for the incorporation and regulation of agricultural cooperative associations was passed by the Pennsylvania legislature. This act, however, did not permit cooperative associations to have capital stock.

Cooperative Marketing of Milk

IN THE PHILADELPHIA MARKET - The first attempt to organize for the purpose of marketing fluid milk appears to have occurred in the Philadelphia market. During the period between 1883 and 1887, four associations,

namely, the Milk Association of Pennsylvania, Schuylkill Railroad and its Tributaries, the North Penn Dairymen's Protective Association, the Pennsylvania Milk Producers' Association, and the United Milk Producers' Association, were organized. In 1897, these four associations federated and organized the Dairymen's Protective Association of Pennsylvania and New Jersey. The federated organization functioned as a sales agency for its members and also operated a plant for the manufacture of surplus milk. Problems arising out of the pro-rating of costs in the manufacturing operation to the member associations finally resulted in its passing out of existence.

In 1896, the dairymen supplying the Philadelphia market again organized under the name of the Philadelphia Milk Shippers' Union. This new association was slow getting results, but apparently was more tenacious than its predecessors had been. In 1901 it did finally establish itself as a bargaining association. Some time prior to this it had changed its name to the Philadelphia Milk Shippers' Association.

In 1910 the milk producers supplying the Philadelphia market reorganized under the name of the Inter-State Milk Producers' Association.

During the intervening years, feed prices had gradually increased the costs of producing milk, while the prices paid to farmers for milk had remained stationary. During that period, too, our industrial centers grew larger and larger and were drawing their food supplies from territory more and more distant from the places of consumption. Also, consolidations had been taking place in the business of distributing milk.

During the first six years of its existence, the Inter-State Milk Producers' Association functioned with little effect on prices, and some of the larger distributors refused to deal with it, while the costs

of producing milk continued to increase.

Agitation for some more effective organization resulted in meetings being called by a special committee of the Pomona Granges of Chester and Delaware Counties. As a result of these meetings, the Inter-State Milk Producers' Association was reorganized in the fall of 1916 and expanded to take in all the territory supplying milk to the Philadelphia market.

Despite these efforts, the Philadelphia distributors resisted increased prices and were supported in their attitude by the consuming public in Philadelphia. The situation became tense and there were threats of a milk strike from the producers.

Seeing the possible effects of a milk strike, the Governors of the four states producing milk for the Philadelphia market, in October 1916, appointed a committee to investigate the condition and report back to meetings of the producers, distributors, and consumers. Dr. Clyde L. King was appointed chairman of that Commission and the results of the Commission's work must be credited largely to his efforts. Much credit for an amicable settlement of the dispute must be given to Clarence Sears Gates for his accomplishment in changing public opinion, which led to consumer willingness to pay a higher retail price for milk. This increased retail price resulted in the distributors agreeing to pay the producers a price for milk based on their costs of producing. The activities of the Commission also resulted in establishing working relations between the distributors and the Inter-State Milk Producers' Association and established the Inter-State as a bargaining power in the Philadelphia market. This power it has retained to the present day.

IN THE PITTSBURGH MARKET - The first record we have of attempts

to organize by milk producers supplying the Pittsburgh market was in 1889 when they organized under the name of the Milk Producers' Union for the purpose of marketing milk in the Pittsburgh area. We have no record to indicate that it was ever effective. Five years later, in 1894, a second attempt was made to control the marketing of milk in Pittsburgh by cooperative effort and the Milk Producers' Association of Eastern Ohio and Western Pennsylvania was organized. Like its predecessor, it does not appear to have succeeded in its purpose.

In 1916, a third attempt was made by organized producers supplying milk to the Pittsburgh market to cooperatively control the marketing of their product and the Northeastern Ohio Producers' Association was organized.

Efforts on the part of this organization to increase prices were resisted by the distributors, backed by public opinion and the power of the press.

Similarly to the experience of dairymen marketing in the Philadelphia market, prices paid to producers had not changed over a long period of years, during which feed and other costs of milk production showed almost continuous increases. The milk producers were becoming desperate. Their organization ordered a strike which was called off before going into effect for October 20, 1916. Some time between that time and August 1, 1917, the milk producers in the Pittsburgh Milk Shed reorganized and changed the name of their organization to the Tri-State Milk Producers' Association. On the latter date cited above, the Producers' organization demanded a price of \$2.80 per hundred pounds of 3.5 butterfat milk and 7.6 cents for each additional butterfat point. The distributors countered with an offer of \$2.60 per hundred pounds of 3.5

milk with 4 cents additional for each point above and a 2-cent deduction for each point under a 3.0 butterfat test.

The resulting milk strike lasted through August and was then settled by a compromise. The milk producers accepted a price of \$2.60 per hundred pounds of 3.5 milk with 5 cents additional for each butterfat point above and a 5-cent deduction for each point under a 3.5 butterfat test.

A large measure of credit for the satisfactory settlement of the strike should be credited to Dr. Clyde L. King, of the University of Pennsylvania and to Mr. Earle L. Hoffitt, of The Pennsylvania State College. Doctor King served as arbitrator and Mr. Hoffitt furnished the cost of production data which were used in arriving at the compromise price.

While the producers were forced to accept a compromise, the price obtained was approximately that demanded by their organization, which had established itself as their bargaining agent in the Pittsburgh market. It was destined later to add to the historic development of co-operative milk marketing under the names, Dairymen's Cooperative Sales Company and later the Dairymen's Cooperative Sales Association.

IN THE NEW YORK MARKET - During the same year, 1889, that the milk producers first attempted to organize in the Pittsburgh market, the dairymen supplying the New York City market also made their first attempt to control the marketing of their product. Milk producers from Pennsylvania, New York, New Jersey, Connecticut, and Massachusetts formed the Five States Milk Producers' Union for the purpose of retail marketing of milk in New York City. Its efforts were not successful but the organization was kept alive and, in 1898, nine years later, it was reorganized and attempted to function as a sales agency under the name of Five States

Milk Producers' Association. This effort was attended with no greater success than had been the first one.

However, the dairymen producing milk for the New York market were not to be discouraged and after nine more years had elapsed another attempt was made to organize and, in 1907, the Dairymen's League was formed. They did not complete their organization, however, until three years later.

For the next six years they made a continuous but unsuccessful attempt to function as a bargaining association and to establish working relations with the distributors. In the meanwhile, the disparity between feed costs and feed prices to the producers had been increasing. The producers were finally aroused to fighting pitch. As of October 1, 1916, the Dairymen's League established a price based on costs of production, plus 10 per cent, and demanded that the New York distributors pay the price established. This the distributors refused to do.

A milk strike by the milk producers supplying the New York market resulted and lasted for two weeks. At the end of that time the distributors agreed to pay the price established by the Dairymen's League on October 1. The Dairymen's League had won a complete victory and had established itself as the bargaining agency for the milk producers in the New York area. Its membership grew rapidly after this event and it continued to serve as the bargaining agency of the milk producers in the New York market until after the end of the World War. During the years after the war its policies and functions went through some modifying changes which will be discussed later.

Cooperative Buying

The first effort made by Pennsylvania farmers to conduct a co-

operative buying enterprise was made by the State Grange in 1875. During that year it established a business office in Philadelphia and did a total business of about \$130,000. In the next year this enterprise suffered financial difficulties resulting primarily from failure of the local granges to settle their accounts. Some local granges continued to carry on cooperative buying activities and the activities of some have continued to this day.

A few associations organized specifically for the purpose of cooperative buying were organized during the early period of cooperative effort, but cooperative buying did not get a good start in Pennsylvania until 1920.

Local Fluid Milk Marketing Associations

The last year of the period, 1919, witnessed the organization of three local retail milk marketing associations, all of which have operated to the present day with continuing success. It is probable that these associations should be discussed in the next period. They arose out of conditions which existed early in the succeeding period.

SUMMARY - EARLY HISTORY

During the period 1866 to 1919, we witnessed the early efforts of Pennsylvania milk producers to control in some measure the marketing and manufacture of their product.

Their first efforts were concerned with providing themselves with a year round market under their control. To accomplish this the co-operative cheese factories and then the cooperative creameries came into existence.

For many years the value of milk for fluid purposes was little different from its value for the purpose of manufacturing. As a result the milk producers who had organized cooperative creameries in territory adjacent to the large cities were loathe to give up the creamery outlet for the growing needs of the large cities for fluid milk. Later health and barn regulations governing the production of milk for fluid use also contributed to the resistance of many of the milk producers to efforts to persuade them to give up their creameries and to produce for the fluid market. As a result, many of these early cooperative creameries have continued to exist to this day.

The continued existence of so many of them in counties close to the large city markets limited the supplies of milk available, to the city distributors, from territory closely adjacent to the large cities and made it necessary for the distributors to extend the territory from which they drew their supplies for the ever increasing populations in the cities.

Relatively early in the period milk producers supplying milk to the large city markets attempted to control the marketing of their product by cooperative efforts. The ever expanding territory from which the cities drew their supplies made successful organization difficult. The farmer who had just had a market made available to him, which opportunity he had not previously experienced, was hard to organize and not until 1916 did organizations of producers operating on the big city markets succeed in organizing the entire territories from which the cities drew their fluid milk supplies. In that year associations representing the organized milk producers supplying milk to New York City, Philadelphia, and Pittsburgh established themselves as bargaining agents for their members.

All attempts made during this period to cooperatively retail milk, in the large cities to which Pennsylvania producers furnished milk, failed. Three associations organized for this purpose in small local communities during the last year of the period did succeed, but it is believed their effort historically really belongs to the next or Post War Period.

Though cooperative purchasing of farm supplies in Pennsylvania had its beginnings early in the period 1866 to 1919, it did not become of great economic importance until after the close of the World War.

It is noted that early cooperative marketing efforts were confined almost entirely to the marketing of milk and dairy products. This possibly resulted from three principal causes:

First, the buyers of milk were few and generally worked together in establishing the prices they paid for milk. This convinced many milk producers they could not individually cope with the situation and led to their organization.

Secondly, milk being a highly perishable product, a supply of which was not available from distant markets prior to the development of refrigerated trucks and cars, and hard surface roads, caused the distributors to be willing to deal with farmer organizations. Its perishability also necessitated farmers who did not have a fluid milk market all year round to manufacture it. To insure themselves of an all year market, they organized cooperative cheese factories and creameries.

Thirdly, dairy farming was and still is the major agricultural pursuit of Pennsylvania farmers.

A noteworthy fact which occurred in this early period was the establishment of prices in 1916 based on the cost of milk production.

America's entry into the World War, during which period the marketing of milk was under the control of the United States Food Administration, and the unprecedented European demand, made it possible to use cost of production as a basis for price determination. In 1920, after those conditions ceased to exist, it was found necessary to find other bases for the purpose of milk price determination.

POST WAR PERIOD

1919-1923

By 1919 farmers in Pennsylvania had gained sufficient experience in cooperative effort that the basic principles upon which a cooperative should be operated were in that year enacted into a law providing for the incorporation and regulation of agricultural cooperative associations. This legislation, however, contained two serious omissions. It did not provide for the incorporation of cooperative associations having capital stock and it did not provide for the representative form of government necessary to the efficient management of such large type associations as are those concerned with the marketing of milk in the large cities.

However, by that year the basic principles of cooperation had become so well defined that no reason existed for an association to be organized on a basis which did not comply to either the 1919 Act of the Pennsylvania legislature or the Capper-Volstead Act of the Federal Government. From this time forward only those associations whose charters and by-laws conform to the requirements of either of the above acts will be considered as cooperative.

During the War Period, governments, including our own, attempted to control economic forces, but with the return of peace those controls

in the United States were abolished and economic laws again assumed their normal relationships. This return to a normal operation of economic forces brought with it increased activities in the cooperative movement. In 1920, we record the incorporation of 19 new cooperative associations; in 1921, we record the incorporation of 21 such associations; and in 1922, 24 such associations were incorporated in Pennsylvania. With one exception, all the associations referred to above limited their activities to a local community.

The return to the normal operation of economic law also made adjustments necessary in the operations of existing cooperatives. For example, with a lessening demand in European markets for dairy products, the milk producers, whose industry is not possible of short time adjustment, found themselves confronted with markets glutted with milk. Also, at this time, due to the disbandment of the United States Food Administration, the cooperative associations supplying the milk markets in Philadelphia, Pittsburgh, and New York, found it necessary to reestablish working relations with the distributors in those markets.

(Milk Marketing

In January 1919, the Dairymen's League set a price of 40 cents per hundred pounds of milk which was higher than the distributors were willing to pay. A strike lasting 12 days resulted in a victory for the producers' organization.

From that time until the spring of 1920, the association functioned as a bargaining organization, but it was continually and increasingly confronted by a surplus milk problem which affected their attempts in making price agreements with the distributors.

In April 1920, in an attempt to meet this problem, the "League"

launched a new policy and began the operation of country plants and the manufacture of dairy products. It gradually took the form of a wholesaler and by 1922 it had also acquired distributing plants in New York City. From that year until the present date, 1935, the Dairymen's League has functioned as a bargaining association with some wholesaler characteristics and a retail distributing organization.

Its official policy has been to function as a distributor in the wholesale market. Occasionally and with more and more frequency, it has purchased a retail business in order to provide an outlet for fluid milk, but with the intent to sell such businesses just as soon as it can find a suitable purchaser.

At the close of 1932, it was operating 17 retail distributing plants, and it is safe to say that although its official policy remains unchanged its policy, in fact, has been somewhat modified. The drift of the association appears to be more and more away from the bargaining type of cooperative to that of the distributive type. In 1922, it operated 84 plants, handling 15.2 per cent of the milk marketed by the association. By 1935, it had 160 plants, handling 31 per cent of the milk. In 1929, it was operating 238 plants, handling over 39 per cent of the milk; and at the close of 1932, it was handling 48 per cent of the milk supplied by its members through 187 plants.

This reduction in the number of plants was due to the association's efforts toward more efficient operation of them, by consolidating the volumes of several plants and operating the plants at maximum capacities.

In 1932, the "League," through its own plants and those of co-operating distributors, handled approximately 40 per cent of the

2,412,280,415 pounds of milk handled in the New York City market.

This represented, however, only about 30 per cent of the total volume, 3,143,460,044 pounds of milk, marketed for its 52,117 members, of whom 3,156 were Pennsylvania farmers. Their contribution to the total volume, handled by the League in 1932, was approximately 490,380,000 pounds of milk. The total investment of the Dairymen's League Cooperative Association at the close of 1932, as shown by its balance sheet, was over 23-1/2 million dollars.

Data shown by the Treasurer's Annual Report for their 1934-1935 fiscal year showed that the Dairymen's League handled through its own plants slightly more than half the milk marketed by them (Table 2).

The Dairymen's League is a sales organization and receipts from the sale of milk handled through its own plants and routes are pooled with the sales made to distributors. At the end of each month all the necessary expenses, including a financing deduction, are deducted from sales for the month and the balance is distributed to the producers on the basis of pounds of milk and butterfat test delivered by each. Each producer is also credited with his pro rata of the financing deduction and once each year he receives a certificate of indebtedness for the amount credited to him during the year.

The Inter-State Milk Producers' Cooperative Association operating in the Philadelphia market met the conditions following a return to "normalcy" by efforts to eliminate surplus milk without changing their method of operation. Due largely to the efforts and guidance of Dr. Glyde L. King, working relations between the Inter-State Milk Producers' Association and the distributors were reestablished in the Philadelphia market without serious disturbance.

TABLE 2 - Utilization of Milk Received by Dairymen's League for the
Fiscal Year 1934-1935*

Class	Pounds through association plants	Pounds through dealers	Total pounds	Per cent sold in each classification
1	514,212,579	712,143,068	1,226,355,967	49.3
2a	297,220,259	282,629,540	579,849,799	23.3
2b	15,880,856	14,946,397	30,827,253	1.2
2c	80,277,539	25,998,048	106,275,587	4.3
2d	67,764,921	23,877,024	91,641,995	3.7
2e	36,261,261	7,231,327	43,492,588	1.8
3	49,800,767	161,210,222	211,010,989	8.5
4a	178,319,680	12,316,823	190,636,503	7.7
4b	5,775,990	12,403	5,788,393	.2
Total	1,247,514,202	1,240,364,872	2,487,879,074	100.0
Per cent	50.1	49.9	100.0	

*Data from Treasurer's Annual Report.

A study made by him of the milk markets showed that even under normal conditions a surplus of milk came on the market during the late spring and summer months. Out of the discussions on this subject was evolved what has become known as the Basic Surplus Plan. The plan as applied by different associations has taken several variations, but generally speaking the plan provides that each member of the association is assigned a base quantity of milk for each month in the year in an amount so that the total of all the base quantities will provide the fluid milk requirements for the market in which the association operates. All milk produced in excess of the fluid milk requirements is called "surplus." Agreements between the associations and the distributors then place different prices on "basic" milk and "surplus" milk. The differential in the prices for basic milk and surplus milk is generally based on the differences in the price of milk for fluid purposes and its price for manufactured purposes. It is interesting to note that the prices paid to producers under the Basic Surplus Plan take into consideration factors other than cost of production.

The Inter-State Milk Producers' Association has never altered its main operating policy and remains to this day as an example of the true type of bargaining association. Approximately 13,125 farmers in Pennsylvania marketed 505,257,111 pounds of milk through the association in 1932. It is estimated the milk produced in Pennsylvania marketed through the "Inter-State" in 1932 had a farm value of about \$11,393,550. It represented about 65 per cent of the \$17,426,802.61 worth of milk marketed through this association in 1932.

Pennsylvania producers constitute about 62-1/2 per cent of the association's membership. A total of 775,467,965 pounds of milk was marketed for all its members in 1932.

With the close of the war, the milk producers supplying the Pittsburgh market faced conditions similar to those which faced the producers for the New York and Philadelphia areas, and it looked like price adjustments would come only after a milk strike. However, the services of Dr. Clyde L. King, as arbitrator, and of Earle Haffitt, who furnished cost of production data, resulted in an amicable settlement between the Dairymen's Cooperative Sales Company, the producers' organization, and the distributors.

In order to secure the protection of the cooperative law enacted by the Ohio legislature, this organization had again reorganized in 1919, under the name used above. In 1931, it again reorganized under the name Dairymen's Cooperative Sales Association and secured a charter from the Commonwealth of Pennsylvania.

Until October 1928, the "D. C. S." functioned as a bargaining association, selling to the distributors on a use basis and pooling the resulting sales. An average price was then determined and the distributors instructed to pay the pool price. Each distributor then either contributed to the pool, if he handled a large volume in the high classifications, or received a reimbursement from the pool, if the average price he was instructed to pay the producers was higher than the average prices charged him, according to the uses for which he purchased the milk.

Similarly as in the big city markets, the distributors in the smaller communities in 1919 and the early 20's were confronted with glutted markets. Consequent price and other adjustments brought about resentment and organization of milk producers in these local markets. During the four years, 1919 to 1922 inclusive, milk producers in 14 local communities organized nine fluid milk marketing cooperative associations, four

creameries, and one cheese factory.

It is significant that by the close of 1923, price reductions in commodities purchased by farmers and the adjustments effected by milk producers through the curtailment of production, and reduction in costs of production through cooperative buying and organization in marketing, had caused the purchasing power of Pennsylvania milk to rise to 113. Such cooperative activity as was to occur in subsequent years prior to 1930 for the most part neither directly nor indirectly affected the dairy industry.

Table 3 lists the local dairy cooperatives organized in the years 1919 to 1923 inclusive.

Seven of the associations continued to operate in 1935. Four of them were acquired by private enterprise and continue to operate under private ownership. At least one of these was so successful as a cooperative that private enterprises, coveting it, stirred up discontent amongst the members with the result that they relinquished their cooperative charter to become a second class corporation. Stockholders other than producers then secured control through share holdings. The record is not so complete in the instances of the others acquired by private enterprise, but similar conditions are believed to have operated.

Three of the creameries ceased to operate because the members secured a market outlet through the Dairymen's League. One of them continues to operate as a creamery. The record of the cheese factory is not complete, but it has ceased to operate. Unless the cheese operation was a failure, and of this we have no evidence, none of the local dairy cooperatives organized in the five years covered by the table were unsuccessful.

The last association shown in the table illustrates the relationship which existed in the organization of cooperative buying associations

TABLE 3 - Local Dairy Cooperatives Incorporated in Pennsylvania, 1919 to 1923 Inclusive

Name	Year organized	Number of members first year	Kind	Comments*
Kane Dairy Cooperative Association	1919	55	Fluid milk	
Farmers' Cooperative Dairy Assn. (Connellsville)	1919	32	Fluid milk	
Dairymen's Association of Beaver	1919		Fluid milk	
Lohaysville Cooperative Creamery	1920	66	Creamery	Successfully operated several years. Members found outlet in D.L.C.A.
Keystone Dairymen's Coop. Assn.	1920	151	Cheese factory	
Indiana Cooperative Dairy	1921	24	Fluid milk	Was too successful. Acquired by private enterprise in 1931.
Elk Cooperative Creamery	1921	118	Fluid milk and creamery	Acquired by private enterprise in 1932.
DuBois Dairymen's Cooperative Assn.	1921	57	Fluid milk	Acquired by private enterprise.
Morrison Cove Coop. Agri. Assn.	1921	55	Fluid milk	
Ulster Cooperative Creamery Assn.	1921	167	Creamery	
Erie Coop. Milk Producers	1922	206	Fluid milk	
Corry Cooperative Creamery Assn.	1922	130	Fluid milk	Acquired by private enterprise.
Rushville Cooperative Creamery Assn.	1922	20	Creamery	Operated successfully until 1931, when members found outlet in D.L.C.A.
Towanda Valley Cooperative Creamery	1922	81	Creamery	Operated successfully until 1932. Members found outlet in D.L.C.A.
Cooperative Farmers Union of Plainfield Township	1923	55	Fluid milk	Began as a buying association. In 1926 began to market milk.

*D.L.C.A. - Dairymen's League Cooperative Association.

organized during the Post War Period and the dairy industry in Pennsylvania. The Cooperative Farmers' Union, at Pen Argyl, was organized originally for the purpose of cooperative buying, its members intent on reducing the costs of producing milk. In 1926, they launched a milk marketing operation. They continue to so operate and cooperative buying has become a minor operation.

Cooperative Buying

During this period Pennsylvania farmers sought also to adjust themselves to market conditions which followed the close of the World War by reducing their costs of production. One result of their effort in this direction was the organization and incorporation of cooperative buying associations. Our records show the incorporation of 49 associations organized for this purpose during the four years beginning in 1919 and ending with 1923. Forty-four of them were organized for the purpose of handling feed and other dairy farm supplies, showing the relation between the milk marketing problem and cooperative buying activities during the Post War Period (Table 4).

One of the cooperative associations organized was an attempt to federate the buying of all the cooperative buying associations in Pennsylvania, but Pennsylvania cooperatives were not ready for such a development and the Pennsylvania Farmers' Cooperative Federation never really got started. It has retained its charter, maintained an organization, and continued to try to operate to the present day. The volume it has been able to attract to it, however, has been economically unimportant.

Twenty-six of the cooperative buying associations organized during the period have continued to operate to the present day.

Twenty-three have ceased to function. Inexperienced management,

TABLE 4 - Pennsylvania Cooperative Buying Associations Organized 1919 to 1923 Inclusive

Name	Year organized	Number of members first year	Kind	Comments
Edinboro Cooperative Association	1919	43	Farm supplies	
Cooperative Grange Milling Co.	1920	143	Farm supplies	
Greensburg Farmers' and Dairymen's Cooperative Assn.	1920	27	Farm supplies	Changed name to Westmoreland Co. Coop. Assn.
New Stanton Farmers Cooperative Assn.	1920	28	Farm supplies	
Luzerne County Cooperative Association	1920	130	Supplies for orchards and vegetable farms	
Clearfield County Cooperative Assn.	1920	37	Farm supplies	
French Creek Cooperative Association	1920	35	Farm supplies	
Wycombe Cooperative Association	1920	21	Farm supplies	
Oley Farmers Cooperative Association	1920	150	Farm supplies	
Southern Wayne Cooperative Association	1920	23	Farm supplies	
Baptistwood Farmers Cooperative Assn.	1920	30	Farm supplies	
Anity Cooperative Agricultural Assn.	1920	72	Farm supplies	
Freighthold Cooperative Association	1920	15	Farm supplies	
Pennsylvania Farmers' Cooperative Federation	1921		Farm supplies	Too successful. Acquired after several years by private enterprise.
Franklin County Cooperative Assn.	1921	34	Farm supplies	
Clinton County Cooperative Association	1921	56	Farm supplies	
York County Fruit Growers Coop. Assn.	1921	51	Orchard supplies	
Williams Valley Cooperative Association	1921	37	Farm supplies	
Pelford Cooperative Association	1921	45	Farm supplies	
Mifflin County Cooperative Association	1921	114	Farm supplies	
Blain Cooperative Association	1921	30	Farm supplies	
Headville Cooperative Association	1921	102	Farm supplies	
Saugertown Cooperative Association	1921	37	Farm supplies	
Cambria County Cooperative Association	1921	41	Farm supplies	
McClure Farmers Cooperative Business Assn.	1921	115	Farm supplies	
Clearfield and Cambria Farmers Coop. Assn.	1921	42	Farm supplies	
Centre County Cooperative Association	1922	260	Farm supplies	
Hartman Cooperative Association	1922	38	Farm supplies	
Beaver County Cooperative Association	1922	278	Farm supplies	
Allegheny County Agri. Coop. Assn.	1922	112	Farm supplies	
Gabelsville Farmers Cooperative Assn.	1922	21	Farm supplies	
Bedford County Cooperative Assn.	1922	50	Farm supplies	
Erysonia Cooperative Association	1922	22	Farm supplies	
North Adams Cooperative Association	1922	30	Farm supplies	
Armstrong County Cooperative Association	1922	67	Farm supplies	
Indiana County Cooperative Dairymen's Assn.	1922	69	Farm supplies	
Cochranton Cooperative Association	1922	139	Farm supplies	
Cooperative Farmers Union of Plainfield Twp.	1923	55	Farm supplies	
Lawrence County Farmers Coop. Assn.	1923	65	Farm supplies	
London Grove Cooperative Association	1923	23	Farm supplies	
Mars Cooperative Co.	1923	44	Not known	
New Hope Farmers Cooperative Assn.	1923	19	Farm supplies	
Penns Manor Cooperative Association	1923	66	Farm supplies	
Cove Cooperative Association	1923	170	Farm supplies	
Venango Cooperative Association	1923	84	Farm supplies	
Cooperative Commodity Division, Lancaster County Farm Bureau	1923	300	Farm supplies	
Northampton Cooperative Farmers	1923	91	Farm supplies	
Bucks Co. Farm Bureau Cooperative Assn.	1923	276	Farm supplies	
Lebanon Valley Cooperative FruitGrowers Assn.	1923	15	Orchard supplies	

attempts to operate on too small margins, lack of adequate finances, and inability to collect accounts are the principal factors which caused the associations to cease to operate. Few of the cooperatives failed to the financial loss of members or creditors. Inquiries by the writer disclosed only two definite failures of associations, which organized during this period, and which caused losses to its members or creditors. One association organized during this period is known to have operated too successfully. After the business, which they had acquired from private enterprise, had been put back on its feet, its former owner succeeded in making the members dissatisfied and then purchased the business from the association. It still operates successfully under private ownership. Undoubtedly other buying cooperatives had similar experiences.

The organization of so many cooperative buying associations during this period undoubtedly resulted in large and permanent savings for Pennsylvania farmers. Feed margins prior to their organization ranged from six to twenty dollars a ton. The general range of feed margins dropped as a result of cooperative activity to from \$1.50 to \$3 per ton and this range has continued to exist. Cooperative buying associations were also, to a large extent, responsible for reductions in prices of fertilizers.

Lower fertilizer prices and solicitation of business by cooperatives, too, undoubtedly made many farmers more fertilizer conscious and resulted in more general use of plant foods. Improved farm management practices, resulting in part from the cooperatives' activities, have undoubtedly made tremendous savings for Pennsylvania farmers.

Potato Growers' Associations

The organization of the Potato Growers' Cooperative Association was closely related to the movement organising cooperative buying

associations. Though organized largely for the purpose of furthering educational work amongst potato growers, the cooperative buying of seed potatoes, fertilizer and spray materials has been an important part of their activities. The securing of disease-free seed, properly compounded fertilizers, and effective sprays have undoubtedly resulted from their educational purposes; but in securing these, a savings in prices and margins have not been lost sight of.

Our records show ten Potato Growers' Cooperative Associations organized during the Post War Period (Table 5). Two of these attempted to market potatoes cooperatively but, in both instances, the members were able to secure better prices from potatoes sold locally than they realized on potatoes handled by the cooperative. It is possible that due to the fact the cooperative shipped potatoes, the better local prices were due to the limited supplies in the local market. However, if such was the case, the members failed to appreciate it and it became necessary to abandon the marketing activity in both these associations.

✓ Wool Marketing Associations

The earliest record we have of cooperative wool marketing was in 1919 during which year 92,000 pounds of wool were marketed by unincorporated wool marketing groups. In 1920, two of these associations incorporated and in 1922 another secured its charter as a cooperative association.

Due to the fact that they actively function only once each year and all their business is consummated within a relatively short period, most of the wool growers' organizations did not incorporate until later years. Our record, however, shows that 27 such associations operated in 1922, during which year they cooperatively marketed 244,259 pounds of

TABLE 5 - Potato Growers' Cooperative Associations Incorporated 1919 to 1923 Inclusive

Name	Year incorporated	Number of members first year	Comments
Potter County Cooperative Potato	1920	76	Began as marketing association.
Schuylkill County Cooperative Potato Growers	1920	65	
Wayne Potato Growers Cooperative	1920	22	
Cambria County Cooperative Potato Growers	1921	51	Began as marketing association.
McMungie Potato Growers Cooperative	1922	19	
Somerset County Cooperative Potato Growers	1922	58	
Crawford County Potato Growers Cooperative	1923	20	
Carbon County Cooperative Potato Growers	1923	53	
Mercer County Cooperative Potato Growers	1923	58	
Mountain Potato Cooperative (Payette County)	1923	18	
Goodyear Cooperative Potato and Fruit Growers	1923	22	(Comb. Co.)

wool (Table 6). In 1923, they marketed 276,891 pounds.

Through their organizations, all of which sell on competitive bids secured from wool buyers, the members year after year have undoubtedly realized higher prices for their wool than they would have received selling individually.

As almost universally results from successful cooperative marketing, the wool producers operating through their cooperatives improved the quality of their wools. In 1919, the wool marketed, what is called "rejects" by the wool trade, amounted to 13-1/2 per cent of the wool cooperatively marketed in Pennsylvania. In 1920, rejects amounted to 12-1/2 per cent of the wool cooperatively marketed; in 1921, 7 per cent; in 1922, 6-1/2 per cent; and in 1923 to slightly more than 4-1/2 per cent. Rejects have only once in after years exceeded the low percentage established in 1923. In some years rejects have amounted to less than 3-1/2 per cent of the wool.

Other Cooperative Efforts

Ten other cooperatives not previously discussed were incorporated in Pennsylvania between 1919 and 1923. These are shown as a miscellaneous group in Table 7.

The effort at poultry and egg cooperative marketing proved unsuccessful and the association functioned only for one year. During this time it did a total business of \$11,150.62.

Four groups in widely separated areas organized during the period for the purpose of marketing fruit. Two of these have continued to exist and one of them, the Keystone Cooperative Grape Association, has been unusually successful. It is believed a brief history of this organization will explain its success.

TABLE 6 - Sheep and Wool Growers' Cooperative Associations Incorporated 1919 to 1923 Inclusive

Name	Year incorporated	Number of members first year
Northwestern Pennsylvania Sheep and Wool Growers Cooperative	1920	112
McKean County Sheep and Wool Growers Cooperative	1920	85
Lawrence County Sheep and Wool Growers Cooperative	1922	152

Counties in which there were unincorporated Sheep and Wool Growers' Associations in 1922:

Armstrong	Bucks	Blair
Butler	Cambria	Centre
Clarion	Clearfield	Fayette
Greene	Huntingdon	Indiana
Juniata	Lancaster	Monroe
Northumberland	Mercer	Somerset
Potter	Sullivan	Tioga
Washington	Wayne	Wyoming

TABLE 7 - Miscellaneous Group of Cooperatives Incorporated in Pennsylvania, 1919 to 1923 Inclusive

Name	Year incorporated	Number of members first year	Type
Lancaster County Poultry Producers'	1919	200	Poultry and egg marketing.
Northwestern Pennsylvania Fruit Growers' Cooperative consolidated with Keystone Grape Co. and became Keystone Cooperative Grape Association	1921	40	Grape and small fruit marketing, also cooperative buying of fertiliser, spray, and so forth.
Lathersburg Cooperative Fruit Growers' Association	1921	30	Fruit marketing.
Mountville Cooperative Association	1922	24	Tobacco packing, selling agent.
Lititz Cooperative Farm Products Association	1922	48	Tobacco packing, selling agent
Chester County Fruit Growers' Cooperative Association	1922	5	Fruit marketing.
West Branch Cooperative Seed Growers' Association	1922	114	Seed marketing.
Johnstown Cooperative Cabbage and Potato Growers' Association	1922	31	Cabbage and potato marketing.
Mt. Parnell Cooperative Fruit Association	1923	19	Fruit marketing.
Snickelsburg Cooperative Lime Association	1923	66	Quarrying and lime manufacture.

Forty grape growers in Erie County organized an association called the Northwestern Pennsylvania Fruit Growers' Cooperative Association of North East. Some of the growers had previously organized the Keystone Grape Company which, while not cooperative, looked with favor on the attempt to organize a cooperative. As a result the two organizations were consolidated and took over the property, assets, and liabilities of the Keystone Grape Company. The consolidated organization adopted the present name of the association - The Keystone Cooperative Grape Association. On December 31, 1932, the association had a membership of 273.

During that year it did a business of over \$178,000, of which about \$70,000 was in cooperatively buying supplies for its members and patrons, and \$108,000 was from sales of fruit.

Its assets on that date at depreciated values totaled over \$61,500, in which the members had an equity of about \$52,500.

Early in its existence this association adopted a practice of selling and paying the growers at competitive prices and returning its excess earnings to the growers as patronage dividends.

The soundness of this policy is evidenced by its present large number of loyal members who have received patronage dividends during the past ten years amounting to over \$90,700. Based on present membership, this would amount to over \$330 per member.

The association has established a reputation for the quality of its pack and has always found a ready market for its products.

Little is known about the effort of the Lathersburg Cooperative Fruit Growers' history other than they did a business of only \$4,000 during their first year and that they no longer operate.

The Chester County Fruit Growers' Cooperative did a business of

over \$21,000 in its first year, but never attracted many over its original five members. Its last operating year was in 1925 and at that time it had seven members.

The Mt. Pennell Cooperative Fruit Association was an outgrowth of competing roadside stands. In order to eliminate competition, the owners of these roadside stands organized for the purpose of selling cooperatively. The association operates a packing house and most of its sales are in car lots. It did a total business of over \$33,000 during their 1930-1931 year, which is the last year for which we have an operating statement. However, they are known to have operated in 1934.

During the period two cooperative associations organized for the purpose of packing and selling their members' tobacco. One of these, the Mountville Cooperative Association, continues in active operation.

A seed marketing association organization in Lycoming County has ceased to operate. Little is known of its history. Also, an attempt of cabbage and potato growers to cooperatively market those commodities did not prove successful.

An unusual effort in cooperation organized by 66 Indiana County farmers has had continued success. In 1920, this group organized to cooperatively quarry and burn lime. They did an active business in 1935 and completed the year with a slight increase in their surplus.

SUMMARY

The Post War Period between 1919 and 1923 was marked by unusual cooperative activity. The discontinuance of abnormal exports in food products to European markets made adjustments in agricultural production and marketing necessary.

Dairying being the principal agricultural activity with Pennsylvania farmers, adjustments made necessary by them caused them to seek reduction in costs of production through cooperative buying and to endeavor to control the marketing of their product. They attempted to do this by re-establishment of their bargaining power in the large city markets, the organization of new cooperative marketing associations in local markets, and the organization of local creameries and cheese factories.

The necessity for adjustment also brought into being the so-called Basic-Surplus Plan and its application in the Philadelphia market. It was later adopted by the Pittsburgh market and grafted to the "pool" operated during the Post War Period. The New York market also adopted the pool plan. Being unable, however, to solve the surplus milk problem by that means, the Dairymen's League Cooperative Association began setting up its own plants to handle the surplus and by 1922 had definitely begun to function as a wholesaler and also to some degree as a retailer of milk.

The number of local cooperative buying associations organized during this period is its outstanding characteristic. Forty-nine such associations were incorporated during the Post War Period. In addition to these, 11 cooperative potato growers' associations which cooperatively purchased fertilizer, spray, and seed potatoes were incorporated during the period.

Conditions similar to those affecting the milk producers had to be met by the wool growers and by 1922 the wool growers in 23 counties had organized 27 cooperative wool marketing associations, only three of which, however, had incorporated.

One poultry and egg marketing cooperative, four cooperative fruit marketing associations, two tobacco packing and selling associations, one seed marketing association, one cabbage and potato marketing associa-

tion, and one cooperative lime quarrying and manufacturing association also organized and incorporated under the cooperative laws of Pennsylvania during the Post War Period.

< In total our record, including 24 unincorporated wool growers' associations, shows that a total of 111 local cooperative associations and one wholesale buying cooperative association were organized during the Post War Period. Of those, 70 continue to actively function. So far as records are available, we know of only two cooperatives which organized during this period that failed to the financial detriment of members or creditors. Some failed because of inexperienced or incompetent management, some because of lack of adequate financing, some from lack of loyalty on the part of members, some because of failure or inability to collect their accounts, and some because they proved too successful. Covetous individuals, in some instances, stirred up discontent amongst the members causing them to sell their businesses to private enterprisers.

The movement undoubtedly brought about price conditions which will permanently save Pennsylvania farmers tremendous sums of money each year. It also contributed in no small measure to improved farm management practices, through the use of proper seeds, feeds, lime, fertilizers, and sprays, and to the better handling of commodities such as wool and tobacco.

Also as a result of their struggle with the surplus milk problem, they learned that cost of production was not necessarily a proper basis for price making, and also brought into being production control measures such as the Basic-Surplus Plan.

THE PERIOD 1924 TO 1930 INCLUSIVE

The cooperative movement in Pennsylvania seemed to pause for a breathing spell during the period beginning with 1924 and ending with 1930. Only 22 agricultural cooperatives were incorporated during that period (Table 8). Two of these were wool marketing organizations which had been cooperatively marketing wool through unincorporated associations for several prior years. Seven of them were organized by potato growers principally for educational purposes but also for cooperative purchasing of seed potatoes, spray, and fertilizer. Another association was organized principally for educational purposes by the Hampshire swine breeders.

One dairy marketing association which was organized in Lycoming County was so short-lived that little is known relative to it.

On the other hand, the dairy cattle marketing association, organized by the dairy farmers in Crawford County for the purpose of selling their surplus cattle, was successful and operated as a cooperative until early in 1936 when the business was sold to their manager.

A cabbage marketing association organized in Erie County functioned for only a few seasons. On the other hand, a mushroom marketing association organized in Chester County has proved to be one of the outstanding successes in cooperative effort in Pennsylvania.

The Mushroom Growers' Cooperative Association was born of a need to either increase the consumption of mushrooms or to curtail their production. The latter alternative was almost impossible of accomplishment so the association decided to try to increase consumer demand. The association adopted a bargaining policy rather than a marketing one because of the impossibility of association grading and packing. Mushrooms do not permit much

TABLE 3 - Cooperative Associations Incorporated in Pennsylvania, 1924 to 1930 Inclusive

Name	Year in- corporated	Number of members first year	Kind	Comments
Mercer Co. Coop. Wool Growers	1924	101	Wool marketing	
Northumberland Co. Potato Growers Cooperative Assn.	1924	18	Educational and buying	
Lycoming Dairy Farms	1924	7	Milk marketing	Short lived.
Cooperative Fertilizer Federation	1925		Wholesale buying	Efforts unsuccessful.
Penna. Hampshire Swine Breeders Cooperative Assn.	1925	32	Educational	
Crawford Co. Cooperative Dairy Improvement and Sales Assn.	1925	140	Dairy cattle marketing	No longer functioning. Became a private enterprise in 1935.
Union County Cooperative Potato Growers Assn.	1925	34	Educational and buying	
Mushroom Growers Cooperative Assn.	1926	214	Mushroom marketing	
Cooperative Division of Chester County Farm Bureau	1926	50	Buying farm supplies	Functioned only a few years.
Adams Co. Farm Bureau Cooperative Assn.	1926	720	Buying farm supp.	
West Wheatfield Township Coop. Assn.	1926	32	Buying farm supp.	Has ceased to function.
Lebanon Co. Cooperative Assn.	1926	28	Buying farm supp.	
Waterford Cabbage Growers Coop. Assn.	1926	65	Cabbage marketing	Functioned several years.
Pennsylvania Farmers Coop. Assn.	1927	16	Buying farm supp.	Functioned only 1 year.
Lawrence Co. Coop. Potato Growers Assn.	1928	50	Educational and buying	
Lehigh Coop. Potato Growers Assn.	1928	54	Educational and buying	
Lycoming Co. Potato Growers Coop. Assn.	1929	66	Educational and buying	
Cumberland Valley Coop. Assn.	1929	255	Buying farm supp.	
Butler Co. Potato Growers Coop. Assn.	1929	103	Educational and buying	
Clarion Co. Potato Growers Coop. Assn.	1929	66	Educ. and buying	
Monango Co. Sheep and Wool Growers Cooperative Assn.	1929	82	Wool marketing	
Commodore Farmers Cooperative Assn.	1929	145	Buying farm supp.	

handling because of their fragile and perishable nature.

Arrangements were made with wholesalers to handle the members' mushrooms and to deduct one cent per three-pound basket from the growers' returns. This deduction the wholesalers agreed to remit to the association and the association in turn agreed to expend the money so received in advertising and other efforts to expand the market and increase the demand for mushrooms. Their efforts in this direction were not with success. This, in part, has been due also to the association's continuous efforts to standardize and improve the grade and quality of each member's pack.

The association in more recent years has been conducting a co-operative buying service for its members. In 1929, its members organized a subsidiary corporation for the purpose of assembling and trucking the members' mushrooms to market. This subsidiary has succeeded in operating at decreased rates. In 1932, it was operating 13 large moving van type trucks hauling to terminal markets and also operated 14 light assembly trucks.

Although the association's efforts to expand the demand for mushrooms were successful, markets were sometimes oversupplied. Also the association in its efforts to improve the quality of the members' pack sought some means of taking care of surpluses and small and imperfect mushrooms. In 1931 another subsidiary was organized for the purpose of canning mushrooms. This venture has been successful also.

An attempt to federate the buying of fertilizer was made during this period, but like a previous effort to federate the buying of feed it was not successful.

The Farm Bureau in two counties organized to buy cooperatively in 1926. One of these functioned for only a few years, but the organization in Adams County has continued to function and appears to have weather-

ed its difficulties.

Five other associations were organized during the period for the purpose of cooperatively buying farm supplies. Three of these have proven successful, but two of them were short-lived and ceased to operate after a year or two.

In 1923, the Bureau of Markets of the Pennsylvania Department of Agriculture began to compile data relative to the volume of business done by Pennsylvania cooperatives and has continued to compile such figures each year. Table 9 shows sales by each of the several groups of cooperatives for each year during the period.

This table shows the continuous growth of the cooperative movement during the period. Local cooperatives did a total business of only \$2,232,000 in 1924, but did a total business of \$6,854,000 in 1930.

In 1930 the Department of Agricultural Economics at The Pennsylvania State College began to compile operating, profit and loss, and investment data relative to cooperatives in Pennsylvania. Table 10 shows commodity sales by groups of local cooperative associations for the fiscal year 1930.

Table 11 shows the income and expense data for seventy-five local cooperatives in Pennsylvania during the fiscal year 1930. Many of the cooperatives in Pennsylvania are small cash-at-the-door associations. Some of these do not function each year. Also some of the associations organized principally for educational purposes may conduct no business during a given year. Table 11 includes only those associations which carried on some business activity during 1930. There were 75 such associations. It is noted that the average margin of all types of associations was 6.7 per cent of sales and that the average cost of doing business was

TABLE 9 - Volume of Business, by Groups, Agricultural Cooperative Associations in Pennsylvania, 1924 to 1930 Inclusive

Group	1924	1925	1926	1927	1928	1929	1930
Local cooperative buying	\$1,586,600	\$1,740,500	\$1,823,430	\$1,849,848	\$1,936,677	\$3,802,000**	\$2,417,152
Local milk marketing	645,350	485,000	569,100	536,137	564,281	603,754	848,080
Fruit and vegetable marketing			1,016,124	1,139,599	2,670,372	3,277,500	3,413,740
Livestock marketing			134,412	132,909	156,325	260,000	113,700
Egg marketing			96,000	98,000	10,000		
Wool marketing			73,832	58,256	63,655	50,300	61,197
Total local associations	\$2,231,950	\$2,225,500	\$3,712,898	\$3,814,749	\$5,401,310	\$12,993,554	\$6,853,830
Three large milk marketing and bargaining associations*				36,222,279	37,253,514	41,534,000	40,093,145
Eastern States Farmers' Exchange and Grange League Federation (farm supplies in Pa.)						7,080,275	
Total				\$42,037,023	\$42,654,824	\$56,527,554	\$56,027,250

*Inter-State Milk Producers' Association, Dairymen's Cooperative Sales Association and Dairymen's League Cooperative Association. Pennsylvania milk only included. Not compiled prior to 1927.

**Sales by local cooperative buying associations in 1929 included sales through local car-door agents by the Eastern States Farmers' Exchange and branches of the Grange League Federation.

TABLE 10 - Volume of Business, Local Agricultural Cooperative Associations in Pennsylvania, Fiscal Year 1930

	Buying associations	Dairy* associations	Wool associations	Livestock associations	Fruit and vegetable associations	Total
Number of associations in group	42	10	6	2	2	62
Food	\$1,447,015	\$ 29,263				\$1,476,278
Fertilizer and lime	357,371	6,578			34,431	428,380
Spray materials	91,786		66		13,101	104,853
Seed	67,881	2,391	956			71,228
Seed potatoes	82,751					82,751
Twine	13,611	330	191			14,132
Coal	34,565	1,201				35,767
Building materials	14,747					14,747
Miscellaneous farm supplies	147,660	57	30		86,692	234,139
Fruits and vegetables					3,279,516	3,279,516
Grain	129,765					129,765
Wool			59,356			59,356
Milk and dairy products		608,299				608,299
Livestock			559	\$113,781		114,260
Total	\$2,417,152	\$348,080	\$61,157	\$113,781	\$3,413,740	\$6,893,830
Percentages of total sales all associations	34.8	12.2	.9	1.6	49.2	98.7

*Value of milk marketed through Inter-State Milk Producers' Association, the Dairymen's Cooperative Sales Association, and the Dairymen's League Cooperative Association is not included.

TABLE II - Income and Expense for 75 Local Cooperative Associations in Pennsylvania for the Fiscal Year 1930

	Dollars	Per cent of sales
Income		
Net sales	6,944,638.98	100.0
Cost of goods sold	<u>6,472,577.61</u>	93.3
Operating margin	465,111.37	6.7
Other operating income	<u>13,820.31</u>	0.2
Total operating income	478,931.68	6.9
Other income (memberships, rents, etc.)	<u>28,744.81</u>	0.4
Total income	507,736.49	7.3
Expense		
Labor	207,866.96	3.0
Rent and taxes	16,765.64	0.2
Interest	25,634.28	0.4
Insurance	6,055.97	
Light and heat	7,682.07	
Repairs	5,326.56	
Stationery and office supplies	6,099.15	
Telephone, telegraph and postage	6,760.93	
Automobile expense	23,738.43	0.3
Travel expense	2,793.31	
Operating supplies	4,213.47	
Advertising	14,729.04	0.2
Depreciation	17,021.18	0.2
Bad debt expense	6,951.63	0.1
Miscellaneous	<u>35,377.24</u>	0.5
Total expense	386,945.86	5.6
Net gain	120,790.63	1.7

only 5.6 per cent of sales. The data shown in the table were compiled from actual operating statements of the cooperatives as shown in their annual reports.

An analysis of the margins taken by Pennsylvania cooperatives on each of several commodities was made for the fiscal year 1930. Table 12 shows the average margins in percentages of sales taken by each the car door and the warehousing type of cooperative buying association, and the differential taken by the latter type to cover the increased cost of that type of merchandising. It also shows the average expense in percentage of sales for each type.

An attempt was made to ascertain if there was any relation between the rate of inventory turnover into sales and the margins taken by each of the several warehouse type of cooperative buying associations. Table 13 compiled for this purpose does not seem to indicate definitely the existence of such a relation.

Investment data at the end of their 1930 fiscal year were also compiled from the annual reports of the Pennsylvania cooperatives and Table 14 shows the balance sheet for the 93 local cooperative associations which reported to the School of Agriculture. Eleven of these reported no assets or liabilities, so that the balance sheet actually represents 79 associations. Twenty-five per cent of their total assets were in accounts and notes receivable amounting to \$236,865.68.

Other current assets, cash and inventories, amounted to \$255,732.54, making the total current assets readily convertible into cash \$542,598.22, and were 49 per cent of the total assets.

Fixed and other assets, land, buildings' equipment, delivery equipment, furniture and fixtures, stocks and bonds, and prepaid expenses,

TABLE 12 - Average Operating Margins in Percentages of Commodity Sales
in Cooperative Buying Associations in Pennsylvania for the
Fiscal Year 1930

Commodities	Car door associations	Warehousing associations	Differences to cover warehousing costs
Feed	4.3	9.5	5.2
Fertilizer and lime	6.1	8.8	2.7
Spray materials	6.4	19.3	12.9
Seed	6.2	8.5	2.3
Seed potatoes	5.0	5.0	None
Twine	5.6	4.7	- 0.9
Miscellaneous farm supplies	3.6	13.8	10.2
Total margin	4.9	9.0	4.1
Total expense	3.8	8.3	4.5
Operating gain	1.1	0.7	- 0.4

TABLE 13 - Relation Between Margins and Turnovers in Warehouse Buying Associations in Pennsylvania for the Fiscal Year 1930

Association number	Margins per cent of sales	Turnovers average inventory into sales
63	12.7	10.5
48	11.3	9.5
17	11.0	11.0
24	10.8	5.4
10	10.6	2.7
31	9.0	6.8
54	8.6	22.4
7	8.0	8.0
29	7.9	6.6
42	7.2	12.8
52	6.5	17.3
73	6.4	22.1
69	5.6	14.6
26	4.3	22.4
Averages	9.0	12.0

TABLE 14 - Investment Data for 90 Local Agricultural Cooperative Associations in Pennsylvania at the End of the Fiscal Year 1930

	Dollars	Percentages of total investment
<u>Investment</u>		
Current assets	542,598.22	49
Fixed and other assets	<u>567,347.72</u>	<u>51</u>
Total assets (total investment)	1,109,945.94	100
<u>Sources of Capital</u>		
Current liabilities	376,889.72	34
Fixed and other liabilities	<u>134,851.07</u>	<u>12</u>
Total non-member liabilities	511,740.79	46
Reserves for bad debts	16,017.57	
Reserves for depreciation	<u>76,985.97</u>	
Total reserves	93,002.64	.8
Member capital:		
Capital stock and certificates of indebtedness	252,331.09	23
Surplus	<u>252,871.62</u>	<u>23</u>
Total member capital	<u>505,202.51</u>	<u>46</u>
Total capital provided	1,109,945.94	100

amounted to \$567,347.72, and were 51 per cent of the total assets.

Total assets amounted to \$1,109,943.94.

Current Liabilities, those due or which will in short time be due, amounted to \$376,869.72. Thirty-four per cent of the total assets were financed through current liabilities. Other borrowed capital, fixed and other liabilities, composed of bonds and mortgages amounted to \$134,851.07. Total liabilities, borrowed capital or money owed, amounted to \$511,740.79, and 46.1 per cent of the total investment.

Reserves for bad debts amounted to \$16,017.57, and 5.6 per cent of total receivables.

Reserves for depreciation amounted to \$76,905.07, and 13.5 per cent of fixed assets.

Total reserves amounted to \$93,032.64, and 8.3 per cent of total assets.

Members are shown to have provided \$45.60 out of each \$100 invested in the assets of Pennsylvania cooperatives in 1930.

By 1930 the world-wide financial depression began to have its effect on Pennsylvania farmers. Pennsylvania milk producers in particular had been, prior to this time, in a rather advantageous position, when compared to farmers in general. However, by 1930, due to many causes, the quantities of milk delivered to the big cities caused increasing proportions of it to go into "surplus" or manufacturing uses, and the prices paid for milk dropped sharply, in particular the prices paid for milk going into "surplus" uses.

A description of conditions as they affected the Philadelphia market is illustrative of conditions as they existed and affected all three of the big city markets.

The members of the Inter-State Milk Producers' Association had been successful in maintaining the price paid for milk going into fluid uses, but large quantities of milk produced in closely adjacent territory had been going into surplus uses. With low prices being paid for this milk, its producers began to seek means of getting it into fluid uses.

In a general way the "Philadelphia Milk Shed" may be said to cover about 17 counties. In the entire area, there were in 1935 a total of 46 creameries and other manufacturing milk plants. The study of the "Philadelphia Milk Shed," made by T. K. Cowden in 1935 showed that 35 of these were located in Bucks, Berks, Montgomery, and Lancaster Counties, all of which are closely adjacent to Philadelphia.

So long as the differences between the prices paid for milk going into fluid uses and those paid for milk going into manufactured uses were small, the producers selling and delivering milk to creameries and other manufacturing plants were content with their markets. However, as the difference widened many producers formerly satisfied with a manufacturing outlet began to seek fluid markets and found ways of getting their milk into Philadelphia and other big city markets. Much of this milk was purchased by distributors, who attempted to increase their sales by price cutting. In other cases the producer himself followed these tactics in efforts to build up a retail route in the city. Increasing unemployment resulted in decreasing consumption of fluid milk and increased the supplies of milk available for manufactured uses.

The resulting surpluses in the cities caused constantly lowering prices to producers. Dissatisfaction with their organizations became rife amongst the milk producers. The Inter-State Milk Producers' Association, the Dairymen's Cooperative Sales Association, and to lesser degree the

Dairymen's League Cooperative Association, were torn with dissension within and attacked by producers outside of the organization.

This condition does not seem to have existed in the smaller local milk marketing cooperatives. This was possibly because, in the smaller organization, the producer member was closer to it and had a more intimate knowledge of its problems.

No new cooperative enterprises were organized during 1930 and the dissatisfaction which existed in the milk marketing associations does not appear to have spread to other cooperative endeavor.

Several existing cooperative associations were reorganized in that year, securing charters under the 1929 Act which provided for associations having capital stock. These were as follows⁴:

Church Cooperative Creamery Company, chartered September 16, 1930.

Minboro Cooperative Association, chartered March 17, 1930.

Kane Dairy Cooperative Association, chartered January 8, 1930.

Kreutz Creek Valley Farmers' Cooperative Association, chartered January 8, 1930.

Union City Cooperative Association, chartered April 17, 1930.

Improved grading and packing of eggs resulting from organized marketing on the part of egg producers' organizations spreading from New England to the Pacific Coast States made it necessary for Pennsylvania producers to do something to overcome the reputation which was attaching itself to Pennsylvania produced eggs in the large eastern markets. Producers in Bucks County found that they received higher returns on their eggs if shipped from a New Jersey address, in which state cooperative associations were marketing graded eggs.

The first effort to overcome this situation was made by an unincorporated group of egg producers in Bradford County who organized in 1930.

Their association made contact with certain wholesalers in New York and with them worked out standards covering grades and packing and prices to be paid for the several grades based on a differential over New York City prices. Each member of the association is held responsible for the packing of his eggs, according to the grades established, and has a choice of deciding to which of the list of wholesalers, with which his association has entered into an agreement, he will ship his eggs. After he has made his choice he is compelled to continue to ship such eggs as he sells to that wholesaler. This rule is not arbitrary and under certain conditions, he can change his wholesale outlet. Remittance for the eggs is made by the wholesaler to the member, but a report on the eggs is sent by the wholesaler to the secretary of the association.

This method of marketing may be said to have succeeded for the Bradford County group, but its very nature limits its membership, if it is to retain the reputation it has established for "Bradco Eggs."

SUMMARY

The history of the cooperative movement in Pennsylvania during the period beginning in 1924 and ending in 1930 shows little activity in organization, but increasing growth in the business of existing associations.

The need for a cooperative association by the mushroom growers was met and their efforts to cooperate were attended with continuing and increasing success.

Economic data relative to the cooperatives were made available during the period and in the future these data should serve to record more

accurately the history of this growing movement.

Effects of the world-wide economic depression began to evidence themselves amongst the members of Pennsylvania cooperatives and their effect on the milk marketing associations prepares us for developments during the next period.

The cooperatives at the end of the period were in an excellent financial and operating condition.

**End of
Title**